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National Budget on its expenditure side

Harvey S. Chase

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THE NATIONAL BUDGET

On its "Expenditure" Side.

AN ADDRESS

BEFORE THE

MASSACHUSETTS SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS

AT BOSTON, MASS., APRIL 9, 1913

BY

HARVEY S. CHASE

*Certified Public Accountant of Massachusetts, and
Consulting Adviser to the Treasury, Washington, D. C.*

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THE BUDGET OF THE UNITED STATES OF AMERICA.
EXPENDITURES OF THE GOVERNMENT (AS ESTIMATED) FOR THE FISCAL YEAR BEGINNING JULY 1, 1913.

Classified in Four Different Ways: A, By Purposes of Expenditure; B, By Character of Expenditure; C, By Organization Units; D, By Appropriation Acts.

A. CLASSIFIED BY PURPOSES. (Functions, or Classes of Work.)		B. CLASSIFIED BY CHARACTER OF EXPENDITURES. (Expenses, Outlays, etc.)		C. CLASSIFIED BY ORGANIZATION UNITS. (Departments and Subdivisions.)		D. CLASSIFIED BY ACTS OF APPROPRIATION. (As Estimated.)	
I. GENERAL FUNCTIONS.		I. CURRENT EXPENSE, ETC.		I. THE CONGRESS.		I. CURRENT APPROPRIATIONS.	
Legislation	\$8,660,365.47	Overhead and operating expenses	\$565,798,628.25	Senate	\$1,769,716.50	Legislative, executive, and judicial	\$36,289,615.50
Executive direction and control	2,836,125.00	Upkeep of property	22,764,889.48	House of Representatives	4,895,420.25	Sundry civil	119,668,577.65
Departmental administration, etc.	20,813,891.40	Fixed charges, interest	24,849,263.12	Committees and commissions	1,912,773.72	Agricultural	18,287,230.00
General business activities	124,187,727.51	Court and treaty awards	40,491.48	Capitol buildings and grounds	178,900.00	Diplomatic and consular	4,072,752.61
Legal advice, etc.	3,858,890.00	Pensions, retirements, etc.	195,152,431.10	Capitol police	78,450.00	Army	96,497,987.08
Adjudication	5,741,313.33	Subsidies, grants, etc.	12,426,278.80	Government Printing Office.*		Fortifications	6,945,086.80
Total general functions	<u>166,098,312.71</u>	Indemnities	<u>100,000.00</u>	Superintendent of documents	251,424.00	Military Academy	1,666,735.69
			<u>821,131,982.23</u>	Library of Congress	849,885.00	Naval	151,463,758.53
II. PUBLIC-SERVICE FUNCTIONS.		II. ACQUISITION OF PROPERTY.		National Botanic Garden	30,893.75	Indian	11,303,316.53
Military:		Land	2,531,825.00		<u>9,967,463.22</u>	Pension	185,220,000.00
Defense by land	102,556,164.95	Buildings	20,958,272.61	II. THE PRESIDENT.		Rivers and harbors	69,678,054.73
Defense by sea	146,615,091.43	Improvements to land and waterways	74,974,139.91	The Executive Office	199,040.00	Post-office (from general treasury)	155,000.00
Pensions, etc.	203,394,808.24	Equipment	73,542,149.55	The Commission on Economy and Efficiency,	250,000.00	Post-office (from postal revenues)	281,641,508.00
	<u>452,566,064.62</u>	Stores (increase)	7,268,549.44		<u>449,040.00</u>	District of Columbia	6,624,668.80
Civil:		Work-in-progress (increase)	115,522.47	III. THE JUDICIARY	5,408,101.00	Deficiencies	277,137.10
Friendly relations, etc.	4,341,688.20	Unclassified	<u>10,805,946.77</u>			Miscellaneous	313,398.27
Postal service, etc.	276,983,944.16		<u>190,196,405.75</u>	IV. THE EXECUTIVE DEPARTMENTS.		Unclassified	2,420,423.00
Transportation interests	116,844,538.02	III. OTHER EXPENDITURES (UNCLASSIFIED).		State	4,653,372.61	II. RECURRENT APPROPRIATIONS.	
Agriculture, forestry, etc.	37,372,039.63	In large part "acquisition of property"	38,610,984.29	Treasury	136,306,557.92	Definite	11,916,182.72
Trading, mining, etc.	930,438.60	Total	<u>1,049,939,372.27</u>	War	199,195,018.28	Indefinite	3,174,449.75
Commerce and banking	3,023,658.53			Justice	5,768,097.84	Determinate	85,801,695.12
Medium of exchange	4,584,554.59	IV. SINKING FUND.		Post-office	284,141,018.00	Revenue	17,206,794.39
Meteorological	1,712,490.00	To be reserved for payment of the public		Navy	152,626,008.53	Total	<u>1,110,624,372.27</u>
Patents and copyrights	2,242,690.89	debt	60,685,000.00	Interior	230,216,066.50		
Census, etc.	765,060.00	Total	<u>1,110,624,372.27</u>	Agriculture	24,706,012.72		
Standards, weights, and measures	612,395.00			Commerce and Labor †	17,163,404.62		
Laboring classes	4,372,805.23				<u>1,054,775,557.02</u>		
Public health	7,817,342.48			V. OTHER GOVERNMENT ESTABLISHMENTS.			
Education, recreation, etc.	5,736,545.21			Isthmian Canal Commission	30,174,432.11		
Indians, etc.	14,018,907.41			Interstate Commerce Commission	1,790,000.00		
Defective, dependant, etc.	2,622,486.84			Civil Service Commission	440,075.00		
	<u>483,981,584.79</u>			Smithsonian Institute	988,895.12		
Total public-service functions	<u>936,547,649.41</u>			Lincoln Memorial Commission	300,000.00		
				Others	206,300.00		
III. LOCAL GOVERNMENT FUNCTIONS.					<u>33,899,702.23</u>		
District of Columbia and Territories	7,978,410.15			VI. DISTRICTS AND TERRITORIES	6,124,508.80		
Total all functions	<u>1,110,624,372.27</u>			Total	<u>1,110,624,372.27</u>		
IV. DEDUCT AMOUNT PAYABLE BY DISTRICT		V. DEDUCT AMOUNT PAYABLE BY DISTRICT		VII. DEDUCT AMOUNT PAYABLE BY DISTRICT		III. DEDUCT AMOUNT PAYABLE BY DISTRICT	
OF COLUMBIA	583,795.00	OF COLUMBIA	583,795.00	OF COLUMBIA	583,795.00	OF COLUMBIA	583,795.00
Total expenditures by United States		Total expenditures by United States		Total expenditures by United States		Total expenditures by United States	
Government	<u>\$1,110,040,577.27</u>	Government	<u>\$1,110,040,577.27</u>	Government	<u>\$1,110,040,577.27</u>	Government	<u>\$1,110,040,577.27</u>

* Distributed by Departments, etc.

† Separate Departments hereafter.

Summarized from tabulations prepared by THE PRESIDENT'S COMMISSION ON ECONOMY AND EFFICIENCY
BY HARVEY S. CHASE,
Certified Public Accountant, 84 State St., Boston, Mass. Consulting Adviser to the Treasury, Washington, D.C.

March 31, 1913.

MEETING OF THE MASSACHUSETTS SOCIETY OF CER-
TIFIED PUBLIC ACCOUNTANTS AT THE EXCHANGE
CLUB, BOSTON, MASS., APRIL 9, 1913.

Subject:

THE NATIONAL BUDGET AND THE WORK OF THE PRESIDENT'S
COMMISSION ON ECONOMY AND EFFICIENCY.

ADDRESS OF MR. HARVEY S. CHASE

*Certified Public Accountant of Boston and Consulting Adviser to the Treasury,
Washington.*

Mr. Chairman, I have prepared no formal statement for this meeting—in fact, I have had no time for it—but I have had these printed Summaries of the United States Budget struck off, and they will give you an idea of a portion of the work which the “Commission on Economy and Efficiency” has been doing in the line of preparing a governmental budget for the next fiscal year. These summaries exhibit the “expenditure” side of the budget solely, and cover the financial year beginning July 1st, 1913.

Of course, no man can estimate what Congress is going to do with the tariff or what it is going to do with the income tax. At the present time nobody knows—neither Congress, nor the President, nor any one else,—and therefore it would be futile for me to attempt to estimate what the revenue side of this budget will be. Under the requirements of law the Secretary of the Treasury last fall did compute, somewhat roughly and crudely as is ordinarily done, what the revenue might be and his estimate was forwarded to Congress at the same time that the printed estimates of expenditures were sent in by him from the various departments.

Originally, back in the time of Alexander Hamilton and at the beginning of our financial development as a government, there was marked antagonism between the executive

and the legislative branches of the colonial governments. Usually the executive was a royal governor, while the legislative body represented the citizens, the colonists. For this reason the legislative body was frequently jealous of the gubernatorial power, and in the preparation of our present Constitution great care was taken that the executive should not become too powerful. For this reason the Secretary of the Treasury was required to be, in this particular, the servant of the legislative body instead of the executive as he is in all other respects. Although a cabinet officer, and although appointed by the President and subordinate to the latter, he is in this matter of the estimates only a "messenger boy" for Congress.

THE FIRST STEP TOWARD A BUDGET.

By law the heads of departments and offices of the government are required to send, in ample time, to the Secretary of the Treasury their estimates of expenditures proposed for the ensuing fiscal year. These estimates are presented in the fall of each year in preparation for appropriations which will not be available until July 1st of the next year. Prior to the opening of Congress in December the Secretary of the Treasury prepares and has printed each year all of the estimates of the departments and offices of the government, arranged under the present law in exactly the same form that they have been arranged in years before. Congress has been particularly emphatic about this; that no change should be made in the forms of these estimates—and for good reasons, namely; the committees of Congress which have to do with appropriations can judge of the new estimates only by comparison with the old, and, if changes were permitted—marked changes—in the form in which these estimates are submitted, the committees of Congress would be wholly at sea, they would not know how to make comparisons. For this reason Congress has been exceedingly antagonistic to any suggestions, made by the President or by our Commission on Economy and Efficiency concerning modifications of the general estimates scheme, and it is therefore evident that to bring about results Congress must be given the information in the same form

that it has had for many years, and at the same time there should also be submitted each year a budget on new lines, comprising the same amounts as in the old form, but arranged in a new form. This double submission should be continued for a series of years until there has been established sufficient precedent upon the new form so that the old may be abandoned with safety. This is the way, I imagine, that this most important change will be brought about; in fact, this seems to be the only practicable way to accomplish it.

The President's Commission has, therefore, devoted much time to devising a scheme which would give information which the old form of estimates has never given, and this sheet which we have before us here is a summary of the work which the Commission has done on these lines during the six months from August, 1912, to February, 1913.

FOUR CLASSIFICATIONS.

It seemed to the Commission exceedingly important that in a budget statement, on the expenditure side, there should be set up; first, a classification of the total expenditure by "functions" or "classes of work," which the government proposed to undertake, that is, by *purposes*. This has never been done by this government, or by any government completely, so far as we know, and we had investigated more than twenty foreign nations before we undertook to lay out this budget.

In the second place it seemed advisable to make the very important distinction, which all accountants recognize, between "current expenses" and "capital outlays," which had not been made before in the United States Government as a whole, and which is not completely differentiated in the accounts of any government with which we are acquainted. It is true that many other governments do very much better in this regard than the United States Government has done heretofore. The two summaries labeled "A" and "B" on this sheet before us are, therefore, the product of the Commission's work primarily, while the two classifications labeled "C" and "D"—C being a classification by organization units, that is, by the departments and subdivisions which are to spend the money, and D a classification by acts of appro-

priation, which is a statement of the way in which Congress has authorized the expenditure—are the forms ordinarily used heretofore. The last classification, “D,” is the one with which Congress is most familiar, and the only form in which anything at all approaching a “budget” statement has been set up in the United States Government prior to this year.

To build up the totals, which are set forth on these summaries, required some 25,000 sheets about 30 inches by 24, which came in from all departments and offices of the government, and upon these sheets all details were set forth. Then it fell to the Commission to classify and summarize and foot up the amounts which finally appear in these tabulations now before you, each of which, you will note, totals to the same sum, namely, a billion, one hundred and ten millions of dollars.

If we now make comparisons between the usual classification represented by “D—acts of appropriation—and by “C”—organization units (which is the form in which the annual reports of the Secretary of the Treasury have been set forth heretofore)—and the summaries prepared by the Commission, “A” and “B,” a number of exceedingly striking and important points will be immediately evident. Referring to “A,” classified by *purposes*, it will be noted that there are three primary divisions; I., General Functions; II., Public-Service Functions; III., Local Government Functions. General functions, consisting of what an accountant would ordinarily label “overhead,” relate to legislation, executive direction and control, departmental administration, general business activities, legal advice, and adjudication. The total of these general functions amounts to over one hundred and sixty-six million dollars.

The next section, Public-Service Functions, is divided into (I.) Military and (II.) Civil; the total of military amounting to \$452,000,000, of which \$203,000,000 are for pensions, while \$102,000,000 are required for defense by land and \$146,000,000 for defense by sea. In comparison with *military* the expenditures for *civil* purposes, whose items are set forth here on the schedule, amount to about \$484,000,000. If we examine the details of these several functions, we find that “postal service” is the largest, amounting to \$277,000,000, and of course the question arises immediately in your minds, as accountants, what is there on the revenue side to offset this expenditure of \$277,-

000,000? There is, in fact, a very large amount, not quite sufficient to equal this expenditure, but very nearly to equal it, arising from the revenues of the postal service.

The next important item is "transportation interests," amounting to \$117,000,000, which includes expenditure for rivers and harbors, and for the Panama Canal. "Agriculture, forestry," etc., amount to \$37,000,000, but when we come down to questions of "public health" with less than \$8,000,000, and to "education and recreation" with less than \$6,000,000, or to "commerce and banking" with a little over \$3,000,000, while "trading, mining, etc.," have less than one million,—we have a striking contrast with expenditures for military purposes, as above, \$452,000,000.

Never before in the history of the United States Government has it been possible to make such comparisons as these, for the reason that appropriations, shown in "D," have never been classified by *purposes*. In each of the appropriation bills which Congress sets up, there are elements which should properly be set forth under other titles. For instance, the pension bill sets forth here (D) \$185,220,000, whereas the total expenditures for pensions, retirement allowances, etc. amounted (A), to over \$203,000,000; the difference between the 185 and the 203 millions being included in various other appropriation bills. In the same way the Indian appropriation carries \$11,303,000, while the actual expense on account of Indians and other dependent wards of the nation, amounts to over \$14,000,000. The army bill carries ninety-six and a half millions, while the costs of "defense by land" are over \$102,000,000. So we could go on for some time making these striking comparisons. Sufficient has been stated to show the non-relation between the acts of appropriation as now prepared and passed by Congress, and the actual purposes for which money is intended to be spent.

CURRENT EXPENSES IN CONTRAST WITH CAPITAL OUTLAYS.

Another very notable feature which is brought out in these classifications is in "B," where the distinction is made between the total expenditure of the government for "current expenses," that is, for operating and maintaining the government, which

amount to \$821,000,000, and the amount spent for "capital outlays," that is, for acquisition of lands, buildings, improvements, equipment, stores, etc., which amount to \$190,000,000. I call your attention to the third item, "Other Expenditures (unclassified)," amounting to \$38,611,000. That means that out of the total expenditure of a billion, one hundred and ten millions, it was impossible to classify nearly thirty-nine millions as between "current expenses" and "capital outlays." Now, no further criticism of the condition of bookkeeping of the United States Government as a whole is needed than this fact; that the Commission with all the power it had with the President behind it, and with earnest efforts by the departments co-operating, could not determine in the time available, where nearly \$39,000,000 of the government expenditure should fall, *i.e.*, whether they were *current expenses* or *capital outlays*.

SINKING FUND.

You will note in IV. of summary B that \$60,685,000 are reserved as a sinking fund for the payment of the public debt. An accountant would naturally think that that really meant something, but it means nothing. The requirements of the law for a long period have been that one per cent. of the total outstanding public debt on June 30th should be laid aside for a sinking fund to retire that debt. Each year there is an entry made upon the books, whereby the Treasury apparently transfers one per cent., setting up a reserve, or sinking fund according to the law, but there is nothing whatever on the asset side to provide funds for this bookkeeping credit. There is no actual "sinking fund," there is nothing in fact but a memorandum account on the books of the Treasury, which now stands at a very large number of millions of dollars, but which actually means nothing whatever. The Secretaries of the Treasury in their reports, year after year, have pointed out this fact and have requested Congress to change the law so that it could be complied with in fact as well as in letter. Nothing has been done about it, however, and nothing will be done about it, or *can* be done about it, until we have a proper banking and currency act which will relieve the situation in relation to United

States bonds. These bonds cannot be paid off under the present circumstances, as they are required for the basis of National bank circulation, and therefore the false position of the sinking fund must necessarily be continued. Now, for the first time in the history of the United States Government, this requirement of law has been set up as if it were a fact, and has been brought to the attention of Congress and of the executive in such a way that long delayed action must be taken. If we were to figure, as our Commission has done, what the requirements of the sinking fund would actually be, in order to retire all outstanding bonds in twenty years, we would find that the amount would be about \$45,000,000 per annum instead of \$60,000,000, as now required by the one per cent. clause of the present law.

Question by a MEMBER. Where does this sixty millions appear in schedule A, for instance?

Mr. CHASE. In Schedule "A" it is in "general business activities," \$124,000,000. In Schedule "B" it appears by itself. In Schedule "C" it appears in the "Treasury," \$136,000,000.

Turning now to "C,"—classified by organization units,—we have the usual form of summarized expenditures of the United States Government as they have been reported heretofore, namely, by departments and subdivisions of the government. Here again distinctions between the amounts expended by such organization units as set forth in the law, and the amounts expended for *purposes* or *functions* of the government, as they have been classified in Schedule "A," are very noticeable. These differences, however, cannot be avoided for the present. It will probably be the fact that gradually, having these classifications before it, Congress will modify the laws which establish the departments and subdivisions of the government until they more clearly unite with functions or purposes of expenditure than they do at present. Whether this is done or not, it is perfectly feasible in the opinion of the Commission so to change the "acts of appropriation" that they will fit into the new classifications by *purposes*, and then the organization units must spend the money in accordance with the appropriations as made.

It is evident that if we take the item of "adjudication" in

division I. of Schedule "A," which amounts to \$5,741,000, and compare it with "C," "the judiciary," \$5,408,000, that we get a close approximation there. The moneys for the judiciary are set up in Schedule "D" under the "legislature, executive and judicial" bill, and are included in the \$36,000,000 which that bill carries.

Question by a MEMBER. Do you mean to say the appropriation for legislative, executive and judicial is not divided at all?

Mr. CHASE. Oh, yes, it is divided in very great detail in the bill itself, and we have subsidiary schedules of each of these items, running down to the expenditure of the smallest amount. In fact the summary was built up out of items from the smallest offices, which were accumulated in the 25,000 sheets. Every unit of organization of the Government sent in to the Commission, by executive order, a statement of its estimate of the expenditures necessary for it for the ensuing fiscal year, under each of these four classifications.

The MEMBER. Yes, but that was under this new arrangement. What has been the custom before this new classification was made? In appropriations, as passed generally by the government, are those three large items put together in the act without any detail?

Mr. CHASE. In the Act they are in very great detail. The "book of estimates" of the United States Government is a volume two inches thick and twelve inches square, and in it are all of the estimates upon which the acts of appropriation are based.

The MEMBER. And then those appropriations are put together and passed in this form?

Mr. CHASE. Yes. This is merely a summary of the acts of appropriation; what is called the "Digest of Appropriations" is a book equal in size to the Estimates.

Another MEMBER. Mr. Chase, in what way can a committee of Congress tell, how can they tell except by comparison with the previous year, whether a department is asking for more than it is really entitled to?

Mr. CHASE. Such a comparison would be the first step. The way in which the appropriation committees actually determine, is by calling the heads of departments and their

subordinates before them, and putting these executives "on the grill." The committees go into these matters very exhaustively, asking why and for what purpose and for what reasons the increases, if there are such, are required. This is the basis on which the appropriations of Congress are now made, a *personal* basis. It is very thoroughly done, and it is the fear of loss of this control that Congress is naturally somewhat jealous about. The members do not wish to have their control interfered with, and they ought not to have it interfered with, until they be given a better method.

The MEMBER. Would that be changed under the new plan?

Mr. CHASE. No, it would not be changed, except to this extent: The new plan proposes that there shall be in the executive and in the legislative branch of the Government provisions for a central authority which shall pass upon the appropriations as a whole; that, in the first place, the executive shall formulate a general plan, and, having determined what can be raised as revenue, shall then subdivide the amount among the different purposes for which the money, in the view of the executive, should be spent.

The MEMBER. What body, or individual, would have that authority?

Mr. CHASE. The Commission advises that there be established a new "central administrative division," which shall be directly under the President and be a part of the executive office, which shall take from the Treasury the accounting, auditing and investigating features, which are now elements of that department, and establish them in this new central executive board. One reason, among others, for this is that now the Department of the Treasury, in theory, has authority over other departments, which it ought not to have, and which it cannot exercise as such control ought to be exercised, without awakening jealousy and interfering greatly with the harmonious progress of all departments. No head of a department desires the head of another department to come in and investigate his office, but no Secretary would make serious objection to an investigation by the President or by his immediate representatives.

A MEMBER. Is it intended that this executive head shall appear on the floor in support of the budget?

Mr. CHASE. No; that goes beyond any step that the Commission has considered. That would be more a political matter than an economic matter. It appears to be the view, however, of some of the leaders of the Democratic party at the present time that it would be advisable to have cabinet officers have the right to be heard in the Senate.

The MEMBER. In support of their departments?

Mr. CHASE. Yes, and to answer questions in behalf of each department; to be subject to "quizzing." Personally, I think it would be a good thing, but as a Commission we have made no recommendation in regard to it.

Another MEMBER. I suppose that would concern more particularly the House?

Mr. CHASE. Yes, it might.

Another MEMBER. Do I understand now that, under the present system, the Secretary of the Treasury audits the bills as well as pays them?

Mr. CHASE. He does. The auditing force of the Government is a subdivision of the Treasury. There is an auditor for war and an auditor for the navy and auditors for the state and for other departments, but these are all offices of the Treasury. They audit the accounts of the disbursing officers, of whom there are about 4,500 in the government.

The MEMBER. Would this new board take that auditing out of the Treasury Department?

Mr. CHASE. It would, and bring it into this new centralized auditing and accounting division.

Another MEMBER. And this means that we would have promptly prepared and proper statistics of the Government's receipts and expenditures?

Mr. CHASE. It would. The form of report of the United States Government would be completely reorganized.

The MEMBER. And be promptly available?

Mr. CHASE. Well, they are promptly available now. We have a statement issued by the Secretary of the Treasury every day. Some features of it are right up to date,—yesterday's business; some of it is nine months old.

The MEMBER. That is just it. Some of it is up to date and some of it is too old to be of very much service.

Mr. CHASE. Yes, and there are very good reasons for it,

and those reasons have to be gotten around before you can change the conditions. The Commission thinks it has discovered ways in which to get around many of these features, and within a reasonable time the Secretary of the Treasury—the present Secretary of the Treasury—will take action on these lines, and we will have much better reports than we have had in the past.

I am glad to have questions asked, because they bring out exactly the points which members have in mind.

A MEMBER. What is the meaning of these “recurrent” appropriations in Section II.?

Mr. CHASE. That is the distinction that the Commission—together with the committees of the various departments who met with the Commission in determining many matters—decided to be the proper titles.

Another MEMBER. Where is that?

Mr. CHASE. That is in Section “D.” The distinctions there, are “current” appropriations and “recurrent” appropriations. The title “Current appropriations” explains itself. It means appropriations made every year for current purposes. “Recurrent appropriations” are of four kinds. They are appropriations that made once, do not have to be made again each year. They are either “definite,” as stated, which means a specific amount, or “indefinite,” like interest payments, concerning which general authority is given for paying all requirements in relation thereto.

The MEMBER. The same as there would be in municipal administration, for instance?

Mr. CHASE. Exactly so. And in the same way “Determinate” is a technical title. “Revenue” appropriations are those pertaining to the cost of collecting revenues, which have to go on from year to year.

The PRESIDING OFFICER. There is a distinction between “determinate” and “definite?”

Mr. CHASE. Yes.

A MEMBER. What is it?

Mr. CHASE. One is a question of time and the other is a question of amount.

The MEMBER. There is a good opportunity for terminology to come in there.

Mr. CHASE. Yes. That has been one of the features that the Commission naturally had in hand, and these titles which have been finally determined have been thoroughly threshed over. The organization of the Commission on Economy and Efficiency was this: six members were appointed by the President, that is, five commissioners and a secretary, whose power was co-ordinate with the commissioners. An appropriation was provided, which formed a part of the White House appropriations, and was under the jurisdiction of the President. A force of accountants and clerks was established, subject to the approval of the President. Associated with the Commission in each of the departments were various committees, consisting of the men in each department best fitted to act in their several capacities. There was a committee on accounting in each department, a committee on office methods in each department, etc., etc.

A MEMBER. Were such committees paid from the Commission's appropriation?

Mr. CHASE. No. They were paid from their own appropriation. They consisted of men in those departments already on salaries.

The MEMBER. Simply detailed?

Mr. CHASE. They were detailed from their ordinary duties and devoted themselves for the time being to these new questions. In this way co-operation was had with all the departments, and results were worked out that could not have been obtained in any other way. When conclusions were reached in regard to a matter, it was only done after a meeting of the Commission either with the chairmen or with the members of these various committees, when the whole proposition was threshed out, usually after many meetings of this sort. It has been an exceedingly laborious proposition, this whole business, because the magnitude of it is tremendous and the field of it is almost appalling. There are 110 different subjects that the Commission has attacked.

A MEMBER. Who comprised the Commission?

Mr. CHASE. Dr. Frederick A. Cleveland—formerly head of the Bureau of Municipal Research in New York City, prior to that a member of the staff of Haskins & Sells and previously professor of economics at the University of Pennsylvania—was

the chairman. Dr. Cleveland has had practical training both as an accountant and as an investigator in the exceedingly large operations of the city of New York, and was probably the best man that could have been obtained in the United States for this purpose, both on account of his broad theoretical training and of his varied practical experiences. The other members of the Commission were: William F. Willoughby, who had been assistant Director of the Census, and prior to that Treasurer of the Island of Porto Rico. He had been in the service of the government for some time. He also was a university trained man and when he left the Commission he took the chair of government at Princeton which was vacated by President Wilson. The third member of the Commission was Judge William W. Warwick, who was formerly assistant solicitor in the Treasury, then auditor of the Canal Zone with Goethals, and finally a Judge of the Canal Zone court. From there he came to the Commission. He is a man exceedingly well-informed in regard to all the details of work in the Treasury and in the Government in general. The fourth member of the Commission was Dr. Frank J. Goodnow of Columbia University, who has had the chair of government and constitutional history there for many years. He is a successful and extremely able gentleman, who has recently been appointed "constitutional adviser" to China and he has just sailed for China to lay out, or to assist in laying out, a new constitution for the 400,000,000 of people in that country. The secretary of the Commission was Mr. Melvin O. Chance, formerly auditor of the Post-office Department. The final member was myself. Owing to the fact that the last Congress made no appropriation for the Commission, inasmuch as the latter was a Presidential proposition, while the Democratic Congress was not particularly inclined to favor President Taft, who was going out of office, it became necessary to "mark time" until it should be determined what view President Wilson would take of these affairs. Meanwhile, as the appropriation was about exhausted, the force could not be kept together and it has been mostly dissipated. Professor Goodnow, Professor Willoughby and myself stepped out from the Commission, and recently Mr. Chance has gone back to the Post-office Department, while Judge Warwick will soon be appointed Comptroller of the Treasury.

This will leave Dr. Cleveland giving but half of his time to the Commission, while most of the assistants have been let go. Many of them have been put into various Governmental departments. It is not bad for them; they have better jobs than they had before. Of course it is unfortunate that Congressional action could not have been taken earlier and the force kept together. However, the main investigation work of the Commission has been done, and it remains now for the constructive work to be continued.

At a meeting last Friday at the White House President Wilson stated that he was strongly in favor of the work of the Commission. While the details of the manner in which further work shall be carried on have not yet been discussed, there is no doubt in our minds that the original plans will be continued forcefully and that, in due time, appropriations will be granted to carry on the work. Unsolicited commendation of the work of the Commission from all parts of the country has been extraordinary. Such comments have come into our offices and into the offices of senators and representatives as well as to the President, particularly in relation to this "budget" proposition. The whole country seems to have awakened to it and when we consider what a part these new budgetary measures are going to play in all our States' accounting and finance, as well as in all our municipal accounting and finance, we can see that the field for such work is almost endless. Probably nothing has ever been done in the United States which will so work toward efficiency and economy in the transactions of the Government and in the operation of the subordinate civil divisions of the country, as will this matter of correct budgetary control of the national finances.